

Council on Postsecondary Education
September 21, 2003

Endowment Match Program Guideline Revisions

In response to recommendations from auditors, the legislature, and the Program Review and Investigations Committee, an Endowment Match Program working committee comprised of Council staff and institutional officials developed the [attached revisions](#) to the 2002-04 guidelines. These revisions represent collaboration between Council staff, the committee, Chief Budget Officers, and the presidents.

Action: The staff recommends that the Council approve the recommended revisions to the 2002-04 Endowment Match Program Guidelines.

On July 10, 2003, the Program Review and Investigations Committee adopted a staff report on postsecondary education reform in Kentucky. The report contained several recommendations concerning the Council's administration of the Endowment Match Program.

- (1) Recommendation that the Council clarify the definition of "new money from external sources" in its guidelines. The existing 2002-04 guidelines do not contain explicit definitions of "new money" or "external source funds." The Council staff recommends that the Council amend the guidelines to clearly define these terms. The [attachment](#) contains the Endowment Match Program working committee's proposal concerning these definitions (see page 39).
- (2) Recommendation to address the issue of allowing existing federal grants, state-generated funds, and university-affiliated funds to be used as matches for state appropriated funds. The current 2002-04 guidelines allow institutions to match funds received from the federal government, provided those funds are endowed. Other than a prohibition against matching state General Fund appropriations and student-derived revenues, the guidelines do not address the issue of state-generated or university-affiliated funds. The Council staff recommends that the Council amend the guidelines to render gifts received from federal, state,

and local government sources ineligible for match (see page 39). If approved, this revision will apply only to university gifts and pledges received after October 1, 2003.

- (3) Recommendation that the Council clearly define the accepted uses of mission support in its guidelines. The 2002-04 guidelines stipulate that program funds can be used for the advancement and support of the general research mission as specified in university regulations and policies. This definition could encompass a broad category of uses. The proposed revision on pages 41-42 enhances the definition to include examples of eligible expenses, including expenditures for library resources, equipment and supplies, visiting scholars, and dissemination of findings, as well as examples of ineligible expenses. This revision would apply to the 2002-04 unmatched appropriations and to any future appropriations made by the Commonwealth to the Endowment Match Program.
- (4) Recommendation to limit the percentage of program funds used for mission support activities. The existing 2002-04 guidelines stipulate that investment earnings from endowments can be used to support chairs, professorships, fellowships, scholarships, and mission support activities, but establish no parameters regarding the proportion of program funds that may be expended for any single purpose within that group. The Council staff recommends that the Council amend the guidelines to limit the amount of program funds used for mission support activities in the manner presented on page 42. If approved, this revision will apply only to university gifts and pledges received after October 1, 2003.
- (5) Recommendation that the Council address the portion of funds used in support of institutional Programs of Distinction. In an October 2000 briefing report, state auditors advised the Council to establish procedures that limit the amount of program funds that can be used outside of university-defined areas of concentration. The Program Review and Investigations Committee revisited this issue in their report. The 2002-04 guidelines do not identify a proportion of comprehensive university funds that must be used to support Programs of Distinction. The Council staff recommends that the Council amend the guidelines to establish a minimum proportion of comprehensive university funds that must be endowed for the purpose of supporting Council approved Programs of Distinction (see page 43). If approved, this revision will apply only to university gifts and pledges received after October 1, 2003.